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BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BOB STUMP
Commissioner
BRENDA BURNS
Commissioner

Arizona Corporation Commission

DOCKETED

MAY 27 2011

DOCKETED BY

NR

IN THE MATTER OF NAVOPACHE)
ELECTRIC COOPERATIVE, INC.'S)
APPLICATION FOR APPROVAL OF)
RENEWABLE ENERGY STANDARD)
PLAN AND TARIFFS)
)
)
)

DOCKET NO. E-01787A-11-0018

DECISION NO. 72383ORDER

Open Meeting
May 24 and 25, 2011
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Navopache Electric Cooperative, Inc. ("NEC") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On January 14, 2011, NEC filed an application for approval of its 2011 Implementation Plan pursuant to the Renewable Energy Standard and Tariff ("REST") Rules. NEC is a full-requirements wholesale customer of Public Service Company of New Mexico. In 2009, NEC had 419 gigawatt-hours in retail sales to its membership.

NEC's Renewable Infrastructure

3. NEC's REST Plan for 2011 consists of using existing infrastructure and purchased renewable energy credits which are shown below on Table 1 and discussed here.

Photovoltaic Renewable Resources

4. Since 2003, NEC has installed and interconnected, to the distribution system, four photovoltaic ("PV") systems totaling 270 kW. Two systems totaling 200 kW are connected at the

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1 primary distribution level, and the other two systems totaling 70 kW are connected at the
2 secondary distribution level.

3 **NEC Member Installations**

4 5. Thirty-two NEC Members have installed PV, wind, and solar water heating systems
5 and have received incentive payments according to NEC's renewable Energy Incentive Plan
6 ("REIP"). NEC's REIP specifies payments of \$3.00 per watt up to 50 percent of the system cost,
7 up to a maximum of \$25,000.

8 **Purchase Agreements**

9 6. NEC has executed four agreements (included in NEC's filing) to purchase
10 Renewable Energy Credits ("RECs").

- 11 a) Abengoa Solar, Inc. owns and operates a solar thermal system at the Federal
12 Correctional Facility north of Phoenix;
- 13 b) PDM Solar, Inc. proposes to install a solar space cooling system at a Phoenix
14 manufacturing facility;
- 15 c) SOLID, USA proposes to build a solar thermal system at the Arizona Correctional
16 Facility in Apache; and
- 17 d) Solar Utilities Network, LLC proposes to build a 1 MW PV array in Apache
County.

18 **Geothermal Project**

19 7. In 2009, on NEC's behalf, Black and Veatch completed a feasibility study with
20 respect to geothermal resources. This study indicates that five megawatts of geothermal
21 generation are feasible in NEC's service territory. Navopache intends to develop this resource.
22 This resource could be a competitively priced, high capacity factor renewable resource. It could
23 produce 40 million kWhs of renewable energy annually.

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Table 1
Navopache Electric Co-op
Renewable Energy Resources -- 2011

| Resource | Type | kW Capacity | kWh Energy |
|-------------------------|---------------------|--------------|------------------|
| Blue Ridge H.S. | PV / DG | 50 | 144,376 |
| Mountain Meadow | PV / DG | 20 | 43,800 |
| NEC Members | PV, Wind / DG | 158 | 346,020 |
| NEC Members | Solar Water Heating | | 34,617 |
| NEC St. John | PV | 94 | 220,711 |
| NEC Springerville | PV | 114 | 249,715 |
| Solar Utilities Network | PV | 1,000 | 2,190,000 |
| SOLID USA | Solar Thermal | 700 | 1,533,000 |
| Abengoa Solar | Solar Thermal | 700 | 1,533,000 |
| PDM Solar | Solar Cooling | 500 | 1,500,000 |
| Total Renewables | | 3,336 | 7,795,239 |

Funding and Expenditures

8. NEC's budget for 2011 is shown in Table 2. NEC's expected surcharge revenue and carry-over amount from past years are also shown in Table 2. The difference between the available funding and the annual expenditures would roll over to 2012.

Table 2
Navopache Electric Cooperative, Inc.
Renewable Energy Resource Budget

| | 2011 |
|------------------------------|--------------------|
| <u>Expenditures</u> | |
| Distributed Renewable Energy | \$500,000 |
| Purchased Power Agreements | <u>\$453,210</u> |
| Annual Expenditures | \$953,210 |
| | |
| <u>Funding</u> | |
| Expected Surcharge Revenue | \$737,114 |
| Carry-Over from Prior Year | <u>\$1,375,120</u> |
| Funding Available | \$2,112,234 |
| | |
| Carry-Over to Next Year | \$1,159,024 |

Funding and Surcharge

9. Staff has reviewed NEC's proposed Renewable Energy Standard Tariff. It sets forth the surcharge rates and monthly maximums to be collected to fund its annual budget for 2011. The proposed tariff charges are unchanged from those previously approved by Commission Decision No. 71408, and are shown here on Table 3, with expected annual revenue shown on Table 4.

Table 3
Navopache Electric Cooperative
Present RES Tariff Charges

| Customer Class/Category | Energy Charge (per kWh) | Monthly Cap |
|---|----------------------------|-------------|
| Residential | \$0.0049880 | \$1.05 |
| Commercial & Industrial | \$0.0049880 | \$39.00 |
| Commercial & Industrial $\geq 3\text{MW}^1$ | \$0.0049880 | \$117.00 |
| Governmental & Agricultural | \$0.0008750 | \$13.00 |
| Gov & Agricultural $\geq 3\text{MW}^1$ | \$0.0008750 | \$39.00 |

¹ 3 MW demand or more for three consecutive months.

Table 4
REST Funding from Surcharge

| Customer Class | Anticipated Annual Revenue | 2010 Annual kWh | Percent Reaching Cap | Average \$ Per Bill |
|-----------------------|----------------------------|-----------------|----------------------|---------------------|
| Residential | \$352,510 | 239,338,335 | 65.3% | \$1.05 |
| Non-Residential | \$377,011 | 140,817,701 | 8.18% | \$39.00 |
| Irrigation | \$6,189 | 5,983,684 | 39.1% | \$13.00 |
| Non-Residential > 3MW | \$1,404 | 20,883,160 | 100% | \$117.00 |
| | | | | |
| Total | \$737,114 | 407,022,880 | | |

10. Table 5 below shows the impacts of the REST tariff on different types of NEC customers. At average usage, most customers would have charges at the monthly cap.

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Table 5
Navopache Electric Cooperative
Customer Impact of 2011 Proposed RES Tariff Charges

| Sample Customers | kWh/Month | Rate | Charges ¹ |
|-----------------------|-----------|------------|----------------------|
| Residence | 1,000 | \$0.004988 | \$1.05 |
| Hairstylist | 1,283 | \$0.004988 | \$6.40 |
| Department Store | 170,000 | \$0.004988 | \$39.00 |
| Retail Video Store | 14,107 | \$0.004988 | \$39.00 |
| Large Hotel | 46,467 | \$0.004988 | \$39.00 |
| Large Building Supply | 183,217 | \$0.004988 | \$39.00 |
| Hotel/Motel | 14,080 | \$0.004988 | \$39.00 |
| Large Office Bldg | 1,476,100 | \$0.004988 | \$39.00 |
| Supermarket | 214,340 | \$0.004988 | \$39.00 |
| Convenience Store | 30,687 | \$0.004988 | \$39.00 |
| Irrigation | 17,585 | \$0.004988 | \$39.00 |
| Hospital | 207,810 | \$0.004988 | \$39.00 |
| School | 88,800 | \$0.000875 | \$13.00 |
| Government Complex | 66,050 | \$0.000875 | \$39.00 |

1. Capped when Cost > Tariff Cap

Recommendations

11. Staff has recommended that NEC's proposed 2011 REST implementation plan be approved as discussed herein.

12. Staff has recommended that NEC's Renewable Energy Standard Tariff continue to be set at the levels shown in Table 3 herein.

CONCLUSIONS OF LAW

1. NEC is an Arizona public service corporation within the meaning of Article XV, Section 2 of the Arizona Constitution.

2. The Commission has jurisdiction over NEC and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated May 5, 2011 concludes that it is in the public interest to approve the Navopache 2011 REST Implementation Plan as discussed herein.

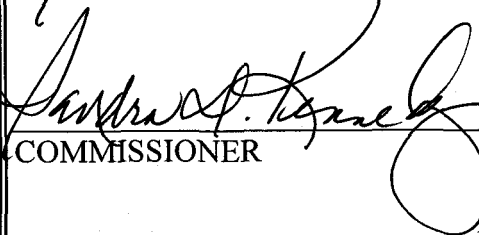
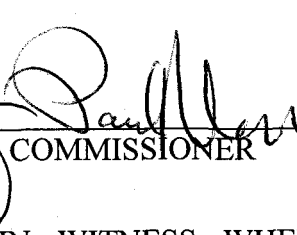
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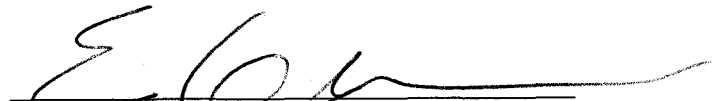
IT IS THEREFORE ORDERED that Navopache Electric Cooperative, Inc.'s 2011 REST Implementation Plan be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that Navopache Electric Cooperative, Inc.'s Renewable Energy Standard Tariff shall continue to be set at the levels shown in Table 3 herein.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION
CHAIRMAN
COMMISSIONER
COMMISSIONER
COMMISSIONER
COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
Executive Director of the Arizona Corporation Commission,
have hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this 27th day of MAY, 2011.


ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:JJP:lhmvWVC

1 SERVICE LIST FOR NAVOPACHE ELECTRIC COOPERATIVE, INC.
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